MCI Communications
Corporation

MCI

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 872 1600

ORIGINAL

June 12, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

**Re: Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services, CC Docket 96-112**

Dear Mr. Caton:

Enclosed herewith for filing are the original and eleven (11) copies of MCI Telecommunications Corporation's Reply Comments regarding the above-captioned matter. Pursuant to the Commission's request, MCI is also submitting by separate cover a 3.5 inch diskette using MS DOS 5.0 and WordPerfect 5.1 software, containing our enclosed comments.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Lawrence Fenster

Lawrence Fenster

0+13

cc: Ernestine Creech
Accounting and Audits Division
Room 814
2000 L St., N.W.
Washington, D.C. 20554

**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, DC 20554**

| | | |
|---|---|---|
| **In the Matter of:** | ) | |
| | ) | |
| **Allocation of Costs Associated with** | ) | **CC Docket No. 96-112** |
| **Local Exchange Carrier Provision of** | ) | |
| **Video Programming Services** | ) | |

**REPLY COMMENTS OF**
**MCI TELECOMMUNICATIONS CORPORATION**

Lawrence Fenster
MCI Telecommunications Corp.
1801 Pennsylvania Ave., NW
Washington, DC 20006

June 12, 1996

## SUMMARY

In this docket, the Commission has recognized that the advent of OVS has brought a decline in the economic rationality of using direct assignment and direct attribution to allocate costs between regulated and nonregulated services. The parties filing comments in this proceeding fall into two groups: (1) those that endorse the Commission's recognition that its existing Part 64 rules are no longer adequate to protect regulated telephone customers from subsidizing nonregulated services, and (2) those that argue that other mechanisms will protect regulated telephone customers from subsidizing nonregulated ventures, so existing Part 64 rules are adequate and may even be relaxed or eliminated. Consumer interests, interexchange interests, cable interests and State commissions comprise the first group, while incumbent local exchange companies (ILECs) comprise the second group. In these reply comments, MCI responds to arguments that other mechanisms will protect regulated telephone customers from subsidizing nonregulated services.

ILECs argue now that the interstate services of Tier 1 ILECs are no longer subject to rate of return regulation, Part 64 is no longer relevant. However, when the Commission adopted price cap regulation it specifically affirmed the continued relevance of its Part 64 rules, even though they had been designed for use with rate of return regulation. Moreover, Part 64 removes nonregulated costs from pre-separated costs using USOA accounts. This is the only way the Commission can ensure nonregulated costs from being included in regulated rates for intrastate services.

ILECs also argue that existing price caps LECs have no way to raise their rates, since they could do so only if they qualified for a low-end adjustment. However, LECs that anticipate a year

of large expenditures on open video systems (OVS) can elect a lower productivity offset, and "game" their earnings to make themselves eligible for an upward adjustment in their price cap. Moreover, even with no sharing, price caps will prevent subsidies only if the initial price cap index for each basket was not a source of subsidy. This is not the case for either the carrier common line or the traffic sensitive baskets.

In the event the Commission's reform of its Part 64 rules results in a requirement to reallocate costs from regulated to nonregulated activities, ILECs uniformly oppose having this reduction in regulated costs passed through as exogenous reductions in their price cap indices. MCI recommends the Commission declare changes due to reform of its Part 64 to be exogenous changes for price cap purposes. It makes no sense to go to the trouble of reforming its Part 64 rules in order to protect telephone customers from subsidizing existing and future nonregulated services, and not grant them the benefit of this protection in the form of rate reductions.

Parties other than the ILECs generally support the concept that whatever allocation method or specific allocation of costs between regulated and nonregulated services the Commission adopts, telephone services should not be allocated more than the stand alone costs of providing service. Parties other than the ILECs generally recommend the Commission use fixed allocators to allocate common costs among regulated and nonregulated purposes. In its Comments, MCI recommended that the Commission adopt a fixed allocator that ensured that telephone services were not allocated costs in excess of their stand alone costs. There is strong support for this recommendation in the record.

## TABLE OF CONTENTS

**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, DC 20554**

| | | |
|---|---|---|
| **In the Matter of:** | ) | |
| | ) | |
| **Allocation of Costs Associated with** | ) | **CC Docket No. 96-112** |
| **Local Exchange Carrier Provision of** | ) | |
| **Video Programming Services** | ) | |

## I. Introduction

MCI Telecommunications Corporation ("MCI") respectfully submits its reply comments in response to the Notice of Proposed Rulemaking ("Notice") in the above-captioned docket[1]. In the Notice, the Commission asked for comment on rules governing how incumbent local exchange carriers (ILECs) allocate costs between regulated and nonregulated activities. In particular, the Commission requested comments on how to reform its Part 64 rules now that the majority of investment will be used in common by regulated and nonregulated services, a development not anticipated in its current Part 64 rules. Twenty-eight parties filed comments on May 31, 1996.

The parties filing comments in this proceeding fall into two groups: (1) those that endorse the Commission's recognition that its existing Part 64 rules are no longer adequate to protect regulated telephone customers from subsidizing nonregulated services, and (2) those that argue that other mechanisms will protect regulated telephone customers from subsidizing nonregulated ventures, so existing Part 64 rules are adequate and may even be relaxed or eliminated. In these

---

[1] In the Matter of Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services, CC Docket 96-112, FCC No. 96-214, released May 10, 1996.

reply comments, MCI responds to arguments that other mechanisms will protect regulated telephone customers from subsidizing nonregulated services.

## II. Justification for Reform of the Commission's Part 64 Rules

### A. Part 64 was meant to be responsive to changing economic and regulatory conditions.

The ILECs argue in their comments that the relevance of the Part 64 rules are limited to the use of rate base, rate of return regulation.[2] They argue, now that the interstate services of Tier 1 ILECs are no longer subject to rate of return regulation, Part 64 is no longer relevant. The Commission should reject this argument. When the Commission adopted price cap regulation it specifically affirmed the continued relevance of its Part 64 rules, even though they had been "designed for use with rate of return regulation."[3] Moreover, Part 64 removes nonregulated costs from pre-separated costs using USOA accounts. This is the only way the Commission can ensure nonregulated costs from being included in regulated rates for intrastate services. Until all jurisdictions have deregulated ILECs, the Commission will need to ensure that separations results are not clouded by inappropriate inclusion of nonregulated costs. Not all states rely on price caps to regulate their ILECs, and many of those that do continue to monitor ILEC rates of return for sharing purposes.

---

2 See e.g., NYNEX Comment at 5; Ameritech Comments at 5; Pacific and Nevada Bell Comments at 3.

3 In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Second Report and Order (LEC Price Cap Order), 5 FCC Rcd 6786 (1990) at 183.

B. Open Video System Options Require Significant Strengthening of the Commission's Part 64 Rules.

The ILECs argue that the 1996 Act's emphasis on competition and reduced regulation should be interpreted as inconsistent with the need to reform the Commission's Part 64 rules, and that these rules should therefore be relaxed and eliminated for price cap LECs that have elected the no-sharing option.[4] The 1996 Act does signify a major departure from the legal and economic environment established under the Communications Act of 1934, but its emphasis on competition and reduced regulation is completely consistent with a strengthening of the Commission's Part 64 rules. Indeed, competition would be harmed without such action.

The Act empowers the Commission to formulate a set of uniform national rules that will ensure that: (1) prices for regulated telecommunications elements are set at forward-looking economic costs; and (2) services not regulated as telecommunications services are not subsidized by telecommunications services. Congress has recognized that in order to promote competition in local exchange markets the cost of telephone service, elements of that service, interconnection, number portability, and a variety of essential aspects of telephone service must not be priced above their economic cost.[5] Pricing telephone services at forward-looking economic costs will also ensure that ILECs budget neither too much nor too little investment towards video, interexchange, centrex, or other nonregulated services. Now that ILECs stand ready to enter a number of markets they were previously prohibited from entering, cost allocation and pricing

---

4 See e.g., Southwestern Bell Comments at 4; Ameritech Comments at 11; Pacific and Nevada Bell Comments at 3; NYNEX Comments at 5.

5 See 1996 Act at Section 251(e)(2), Section 252(d)(1), Section 252(d)(2), Section 254(b)(1), and Section 254(k).

telephone services at cost remain one of the last regulatory tools to protect monopoly customers from subsidizing nonregulated services, so long as the ILECs retain their bottleneck monopoly.[6]

C. Price caps do not mitigate the need for Part 64 reform.

The ILECs argue that price caps already guard against the possibility that they will shift costs from nonregulated to regulated services.[7] They argue that such shifting would require regulated prices to rise, but that regulated prices are constrained by the price cap ceiling. They implicitly concede that where the low-end adjustment is an option, ILECs could shift costs to regulated services, lower their rate of return below the authorized rate, and be eligible to raise the price cap ceiling. But, they argue that as a practical matter this method of cross subsidizing is not available, since all price cap ILECs have opted for the no-sharing option.

Of course, ILECs presently have the option of electing, on an annual basis, a productivity offset that will make them subject to either sharing requirements or the low-end adjustment, depending upon achieved earnings. ILECs that anticipate a year of large expenditures on open video systems can elect a lower productivity offset, and "game" their earnings to either lower their sharing obligation, or to make themselves eligible for an upward adjustment in their price cap. Also, price caps, even with no sharing, will prevent subsidies only if the initial price cap index for each basket was not a source of subsidy. This is not the case for either the carrier common line or the traffic sensitive baskets. For these reasons, MCI believes that price caps

---

6 The presence of an interconnection agreement between a requesting carrier and an ILEC does not lessen the need for cost allocation as BellSouth argues in its Comments (BellSouth Comments at 7), since in order for interconnection agreements to promote competition, new entrants must be able to purchase unbundled network elements at economic cost.

7 See e.g., USTA Comments at 4

permit a significant amount of cross subsidization.[8]

D. Proposed changes adapt Part 64 to new circumstances, and do not depart from essential features of the original rules.

The ILECs argue that the Notice in this docket, abandons one of the original purposes of Part 64, i.e., to promote the development of nonregulated services. They argue that any attempt to reform the Part 64 rules to "overallocate" costs to video services will reduce their incentive to build facilities that integrate regulated and unregulated services.[9] The ILECs are essentially threatening to stay away from the video market:

> To the extent the Commission's rules provide for an allocation of costs to the nonregulated business in excess of such additional or incremental costs...this will distort economic decision making and may deter entry.[10]

This view is not accurate. As long as regulated and nonregulated services recover their incremental costs, and each is allocated a share of common costs, there is no problem of economic inefficiency. The ILECs' fear of overallocating costs to nonregulated purposes is really an attempt to deny telephone customers economies of scope made possible by integrated provision of services, and replays arguments the Commission rejected when it established its Part 64 rules.[11]

---

8 In addition, and as explained in Section IV below, previous inclusion of nonregulated costs in regulated activities has lowered the productivity factor, by inflating the rate of growth of access prices relative to the rate of growth of GNP-PI. The total factor productivity (TFP) approach proposed by the Commission would also permit ILECs to "game" the productivity measure. ILECs may choose to increase investment to reduce the impact of increasing demand in order to reduce the TFP productivity measure.

9 See e.g., USTA Comments at 10.

10 NYNEX Comments at 8.

11 Joint Cost Order at 1313.

## III. Soundness of Suggested Cost Allocation Methods and Measurements.

A. The record supports the Commission adopting a stand alone cap on telephone costs or a fixed factor to allocate common costs.

1. Stand-alone cap on telephone costs

Parties other than the ILECs generally support the concept that whatever allocation method or specific allocation of costs between regulated and nonregulated services the Commission adopts, telephone services should not be allocated more than the stand alone costs of providing service.[12] MCI's proposal simply translates this concept into a fixed allocator, which is then applied to all USOA accounts. Specifically, MCI recommends the Commission calculate a fixed allocator equal to the ratio of stand alone telephone costs to all costs identified in the Part 32 Uniform System Of Accounts (USOA accounts). ILECs argue that the Commission should not adopt a cap on costs allocated to telephony equal to its stand alone costs because stand alone telephone costs might change over time, either due to rising costs, or because new regulated telephone services are being offered.[13] However, the Commission may easily update its stand alone estimates to ensure its new cost allocation measures remain accurate over time.[14]

---

12 See e.g., CCTA Comments at 15; NCTA Comments at 9; Time Warner Comments at 7; PaOCA Comments at 11; GCI Comments at 4.

13 See e.g., Southwestern Bell Comments at 11; Pacific and Nevada Bell Comments at 12; NYNEX Comments at 13; Bell Atlantic Comments at 11.

14 Southwestern Bell also suggests that capping allocation of costs to telephony at stand-alone costs amounts to a prudence review, something "foreign to Part 64." (Southwestern Bell Comments at 12). However, at para. 40 of its Joint Cost Order, the Commission made very clear that the purpose of Part 64 was "to make sure that all of the costs of nonregulated activities are removed from the rate base...."

2. Allocation of common costs using a fixed factor

Parties other than the ILECs generally recommend the Commission use fixed allocators to allocate common costs among regulated and nonregulated purposes.[15] ILEC claims that different technologies and network architectures render fixed allocators arbitrary are unsupported and exaggerated.[16] ILECs always have the opportunity, via the waiver process, to make the case that their cost structures justify a unique fixed allocator The burden of proof must be on the ILECs in any waiver request, and the Commission must ensure that ILECs seeking waivers provide complete and accurate cost information supporting their request.

B. ILECs do not adequately respond to issues raised in the Notice

ILECs also urge the Commission to leave Part 64 rules unchanged, or adopt even less cost causative allocators than are presently employed[17] In advocating these positions, ILECs fail to respond to the limitations the Commission has identified in its Part 64 rules, i.e., the decline in the economic rationality of direct assignment and attribution based on direct assignment as an ever-increasing share of total investments are commonly used by regulated and nonregulated services. ILECs generally assert, without supplying evidence, that the Commission may retain its current reliance on a combination of direct assignment and attribution of plant to regulated and nonregulated activities using the ratio of directly assigned plant for regulated and nonregulated

---

15 See e.g., AT&T Comments at 4; NCTA Comments at 9; Time Warner Comments at 7; Cox Communications Comments at 4; PaOCA Comments at 11; NYDPS Comments at 2; State of California Comments at 4.

16 See e.g., SNET Comments at 9; Ameritech Comments at 14; BellSouth Comments at 22.

17 See e.g., US West Comments at 5; Bell Atlantic Comments at 11; Ameritech at 13.

purposes to allocate common costs.[18]

In response to the Commission's concern that allocation factors based on a dwindling amount of directly assigned investment will be unreliable, ILECs suggest using subscriber connections (virtual loops).[19] The Commission should reject this suggestion. Using actual subscriber connections to calculate a factor to allocate common costs would permit ILECs to subsidize their entry into video and other nonregulated services. ILECs would be able to install all loop, interoffice facilities, central office equipment, etc. needed to offer video and other nonregulated services, but only have costs allocated for these nonregulated purposes as demand develops. If demand fails to develop, or fails to develop sufficient to support the investment, telephone customers costs will permanently remain with telephone customers. Even if demand does eventually materialize, telephone customers will have borne the start-up risk associated with these nonregulated ventures, resulting in an intertemporal cross subsidy. This is antithetical to the basic purpose of Part 64 -- to protect regulated ratepayers from ILEC speculation in nonregulated activities.[20]

## IV. Change in Part 64 Rules Requires An Exogenous Adjustment

In the event the Commission's reform of its Part 64 rules results in a requirement to reallocate costs from regulated to nonregulated activities, ILECs uniformly oppose having this

---

18 For example, Pacific Bell and Nevada Bell state that "...it would be extremely difficult for a LEC to disguise investment that is used to provide only telephone service from that which provides only video or other competitive service." See Pacific Bell and Nevada Bell Comments at 10.

19 See e.g., NYNEX Comments at 11; Southwestern Bell Comments at 9; US West Comments at 8.

20 See, Joint Cost Order at 1313

reduction in regulated costs passed through as exogenous reductions in their price cap indices. They make three arguments:

- the Commission's Part 64 rules should be narrowly construed to only permit exogenous cost reductions based on changes in the three year forecast of relative regulated and nonregulated usage;

- the reductions in regulated costs that would result from proposed allocation changes no longer pass the test for exogenous cost changes;

- the total factor productivity method the Commission has tentatively adopted in its latest price cap performance review captures all economies of scope, so exogenous cost reductions would involve double counting.

Section 61.45(d) of the Commission's price cap rules explicitly states that the Commission may declare rule changes to be exogenous costs The Commission must make such a declaration here. It makes no sense to go to the trouble of reforming its Part 64 rules in order to protect telephone customers from subsidizing existing and future nonregulated services, and not grant telephone customers the benefit of this protection in the form of rate reductions.[21] The policy underlying the need for exogenous cost changes recognizes the need for the Commission to give effect to decisions that alter the amount of revenue requirement that is subject to separations.

At the time the Part 64 rules were adopted, the Commission created a mechanism that altered revenue requirements in response to a change in the forecasted ratio of regulated to nonregulated usage. If the Commission replaces this mechanism with a non-usage based mechanism, its must formally recognize this new mechanism as source of exogenous cost changes for price cap purposes. To do otherwise would mean that the adoption of price caps abrogated

---

[21] It is interesting to note that here the ILECs would limit automatic exogenous cost treatment to the changes in the ratio of the three year forecast of relative regulated and unregulated usage, but elsewhere in their comments propose eliminating this feature of the Commission's Part 64 rules.

the Commission's ability to control its jurisdictional revenue requirement through changes to Parts 32, 36, and 64. The LEC Price Cap Order is explicit on this issue: the Commission retained Parts 32, 36, and 64 rules intact, even though they were originally adopted to assist in rate base rate of return regulation.[22] A rule change in Part 64 can and should be given exogenous treatment.

ILECs also argue that because the new method the Commission tentatively proposes to use to estimate the price cap productivity factor will be based on inputs and outputs of regulated and unregulated services, it will capture economies of scale and scope that come from the integrated provision of these two service categories that the Commission's current productivity measure does not capture. Thus, the ILECs argue, the adoption of this new productivity measure will increase regulated customers' share of economies of scope.[23]

The error of this argument is easily demonstrated. In order to play the role of increased sharing economies of scope with regulated customers, the new productivity offset would have to be higher than the Commission's current productivity offset. The Commission has only proposed the total factor productivity method, and has not adopted the ILEC's estimate of it. Nevertheless, the ILECs' productivity estimate raises doubts that telephone customers would receive a larger share of economies of scope. Whereas the current productivity offset ranges from 4% to 5.3% (depending on the extent of sharing), ILECs estimate the productivity offset using the TFP approach to be 2.3%.[24]

---

22 LEC Price Cap Order at 183.

23 See e.g., USTA Comments at 13

24 Price Cap Performance Review at 9148

Since the majority of new investment will be for nonregulated purposes, the new productivity measure will be less than a productivity measure based on regulated services because investment (a change in inputs) will occur in advance of new service provision (a change in outputs). One might argue that as nonregulated service demand increases, so will productivity, and so will sharing. However, since ILECs will have an incentive to encourage regulators to minimize the targeted productivity factor as long as telephony services remain regulated, they will retain an incentive to overinvest in facilities intended for nonregulated purposes. If nonregulated demand was expected to increase and thereby raise the productivity factor, ILECs would simply undertake a new round of investment to offset the expected increase in demand. Thus, it will continue to be possible to use cross subsidies as a mechanism to lower the productivity estimate and thereby raise the price cap index above economically efficient levels.

## V. Treatment of Spare Capacity.

ILECs assert, without any documentation, that whatever spare capacity is in the network has been engineered as part of normal capacity requirements to meet ongoing demand for existing regulated services.[25] For example, Bell Atlantic proposes that "...spare plant should continue to be assigned to the same cost pools as related 'in-use' equipment."[26] Consequently, they do not acknowledge that the expected growth in nonregulated services poses any problem with the way spare capacity is currently treated.

ILEC arguments are not supported by the facts. Recent economic studies reveal that there is so much spare capacity in ILEC networks that one cannot argue that it is needed for normal

---

[25] Comments of Bell Atlantic, Declaration of Kenneth Hoffman, at 4.

[26] Bell Atlantic Comments at 13.

demand growth. One such study found that $25 billion of historic net plant in service of the Regional Bell Operating Companies (RBOCs) could not be explained by basic service demand growth.[27] Another detailed economic study found that ILECs have over $17 billion in excess annual carrying costs associated with plant intended for ILEC entry into video, interexchange service, and centrex.[28] It is clear ILECs have been preparing for entry into nonregulated services for some time. It is therefore imperative that the Commission remove unused investments from regulated accounts.

MCI proposed an allocation method that would remove all nonregulated costs from ILEC books whether these costs were for spare or in-use capacity.[29] The advantage of this approach is that the Commission would not have to explicitly identify the spare facilities. In the event the Commission chooses a different allocation method, MCI endorses Time Warner's suggestion that the Commission establish separate cost pools for spare capacity to assist and inform its allocation among regulated and nonregulated services.[30]

---

27 AT&T Comments, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Attachment C, Analysis of Incumbent LEC Embedded Investment, Lee Selwyn and Patricia Kravtin, at 6.

28 MCI Comments, In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Attachment 1, The Cost of Basic Network Elements: Theory, Modeling and Policy Implications, Hatfield Associates, March 29, 1996 at 36, 41-3.

29 MCI Comments at 15.

30 Time Warner Comments at 13.

## VI. Conclusion

For the above-mentioned reasons, MCI encourages the Commission to adopt the tentative conclusions that it proposes in the Notice, and to adopt the proposals suggested by MCI herein.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

Lawrence Fenster
MCI Telecommunications Corporation
1801 Pennsylvania Ave., NW
Washington, DC 20006
(202) 887-2180

June 12, 1996

## STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on June 12, 1996.

Lawrence Fenster

Lawrence Fenster
1801 Pennsylvania Ave., N.W.
Washington, D.C. 20006
(202) 887-2180

**CERTIFICATE OF SERVICE**

I, Stan Miller, do hereby certify that copies of the foregoing Comments were sent via first-class mail to the following on this 12th day of June, 1996

Reed E. Hundt**
Chairman
Federal Communications Commission
1919 M Street NW, Room 814
Washington, D.C. 20554

James H. Quello**
Commissioner
Federal Communications Commission
1919 M Street NW, Room 802
Washington, D.C. 20554

Susan P. Ness**
Commissioner
Federal Communication Commission
1919 M St. NW, Room 832
Washington, D.C. 20554

Rachelle E. Chong**
Commissioner
Federal Communications Commission
1919 M St. NW, Room 844
Washington, D.C. 20554

Regina Keeney**
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M St. NW , Room 500
Washington, D.C. 20554

Kathleen Levitz**
Deputy Chief, Common Carrier Bureau
Federal Communications Commission
1919 M St. NW, Room 500
Washington D.C. 20554

Ken Moran**
Chief, Accounting and Audits Division
Common Carrier Bureau
Federal Communications Commission
2000 L St. NW, Room 812
Washington, D.C. 20554

William Kehoe**
Chief, Legal Branch
Accounting and Audits Division
Federal Communications Commission
2000 L St. NW , Room 257
Washington, D.C. 20554

Andrew Mulitz**
Legal Branch
Accounting and Audits Division
Federal Communications Commission
2000 L St. NW , Room 257
Washington, D.C. 20554

Richard Welch**
Chief, Policy and Program Planning
Federal Communications Commission
1919 M St. NW, Room 544
Washington, D.C. 20554

James D. Schlichting**
Chief, Competitive Pricing Division
Federal Communications Division
1919 M St. NW, Room 518
Washington, D.C. 20554

Robert M. Lynch
Durward D. Dupre
Jonathan W. Royston
Southwestern Bell Telephone Company
One Bell Center, Room 3520
St. Louis, Missouri 63101

Sondra J. Tomlinson
U S West, Inc.
1020 19th Street, N.W., Suite 700
Washington, DC 20036

Michael J. Karson
Ameritech
Room 4H88
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025
Its Attorneys

Lucille M. Mates
Sarah Rubstein Thomas
April J. Rodewald-Fout
Pacific Bell and Nevada Bell
140 New Montgomery Street, Rm. 1522A
San Francisco, CA 94105

Margaret E. Garber
Pacific Bell and Nevada Bell
1275 Pennsylvania Avenue, N.W.
Washington, DC 20004

Cambell L. Ayling
NYNEX Telephone Companies
1111 Westchester Avenue
White Plains, N.Y. 10604

William B. Barfield
M. Robert Sutherland
Michael A. Tanner
BellSouth Corporation and BellSouth
Telecommunications, Inc.
675 West Peachtree Street, N.E., Ste. 4300
Atlanta, GA 30375

Leslie A. Vial
Edward Shakin
Bell Atlantic Telephone Companies
1320 North Court House Road, 8th Fl.
Arlington, VA 22201

Madelyn M. DeMatteo
Alfred J. Brunetti
Southern New England
Telephone Company
227 Church Street
New Haven, CT 06506

Mary McDermott
Linda Kent
Charles D. Cosson
Keith Townsend
United States Telephone Association
1401 H Street, N.W., Suite 600
Washington, DC 20005

Jay Keithly
Sprint Local Telephone Companies
1850 M Street, N.W., Suite 1100
Washington, DC 20036

Mark C. Rosenblum
Ava B. Kleinman
Seth S. Gross
AT&T Corporation
Room 3245F3
295 North Maple Avenue
Basking Ridge, New Jersey 07920

Gail L. Polivy
GTE Service Corporation
1850 M Street, N.W., Suite 1200
Washington, DC 20036

Brian Conboy
Theodore Case Whitehouse
Time Warner Cable
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20036

Werner K. Hartenberger
Laura H. Phillips
Cox Communications, Inc
Suite 800
1200 New Hampshire Avenue, N.W.
Washington, DC 20036

Donna N. Lampert
James J. Valentino
California Cable Television Association
701 Pennsylvania Avenue, N.W., Suite 900
Washington, DC 20004-2608

Irwin A. Popowsky
Pennsylvania Office of Consumer Advocate
Office of Attorney General
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

Michael J. Ettner
General Services Administratin
Office of General Counsel
18th & F Streets, N.W., Room 4002
Washington, DC 20405

Cynthia B. Miller
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Mary Burgess
Office of General Counsel
New York State Department of
Public Service
Albany, NY 12223

** HAND DELIVERED

Stan Miller

Janice Obuchowski
1100 New York Avenue, Ste. 650 East
Washington, DC 20005
Counsel to BroadBand Technologies, Inc.

Joe D. Edge
Sue W. Bladek
901 Fifteenth Street, N.W.
Washington, DC 20005
Attorneys for Puerto Rico Telephone Co.

Robert C. Caprye
GVNW, Inc./Management
7125 S.W. Hampton Street
Portland, Oregon 97223

Michael T. Shrivan
Harris, Skrivan & Associates, LLC
8801 S. Yale Suite 200
Tulsa, OK 74137

Kathy L. Shobert
General Communications, Inc.
901 15th Street, N.W., Room 900
Washington, DC 20005

Helen M. Mickiewcz
Counsel for the People of the State of
California and the Public Utilities
Commission of the State of California
500 Van Ness Street
San Francisco, CA 94102

Mary E. Newmeyer
Alabama Public Service Commission
100 N. Unioin Street
P.O. Box 991
Montgomery, AL 36101